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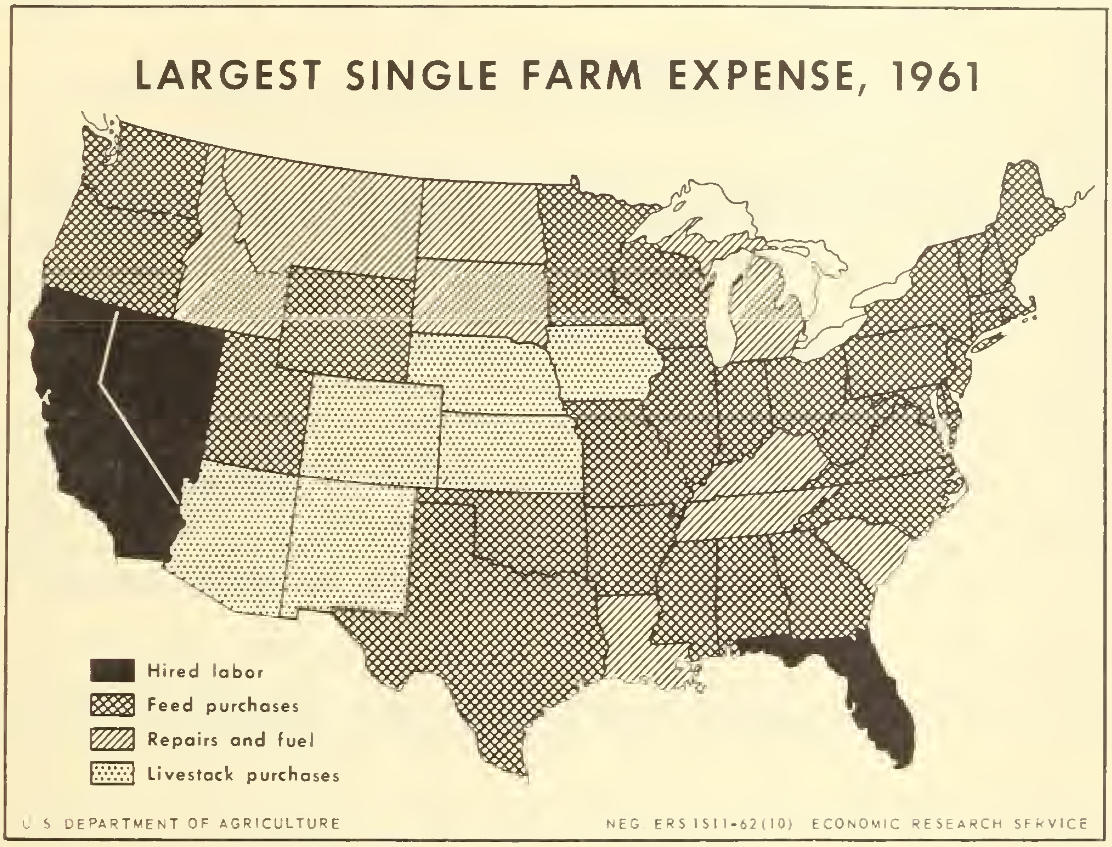
The FARM COST SITUATION



LARGEST SINGLE FARM EXPENSE, 1961

U. S. DEPARTMENT OF AGRICULTURE NEG. ERS 1511-62(10) ECONOMIC RESEARCH SERVICE

Feed purchases made up the largest single farm expense in almost two-thirds of the States in 1961. Much of the feed moved interstate, but even in feed surplus areas such as the Corn Belt feed purchases ranked high. Livestock farmers often purchase feed from neighbors who operate cash grain farms.

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ECONOMIC RESEARCH SERVICE **U.S. DEPARTMENT OF AGRICULTURE**

Goods and services used in production: Index numbers of cost rates and prices paid by farmers, United States

(1947-49=100)

Period or year	Production commodities, interest, taxes, and wage rates	Production commodities only	Feed	Livestock	Motor supplies	Motor vehicles	Farm machinery	Farm supplies	Building and fencing materials	Ferti-lizer	Seed	Farm wage rates
Average:												
1920-24	65	61	60	33	---	---	65	77	57	101	60	42
1925-29	65	61	58	44	94	49	64	73	54	92	60	43
1930-34	50	47	39	25	74	49	61	61	47	75	40	28
1935-39	49	52	45	36	74	56	64	60	49	71	49	28
1940-44	61	62	58	52	77	64	68	74	57	76	56	49
1945-49	92	91	92	87	93	90	90	95	88	94	92	95
1950-54	112	110	99	109	112	119	126	113	115	107	98	113
1955	110	106	91	85	117	123	131	110	120	108	98	120
1956	111	105	89	79	119	127	136	111	125	106	86	124
1957	114	108	87	89	124	136	143	111	129	107	89	130
1958	117	111	86	109	123	142	149	112	130	107	88	134
1959	120	112	86	109	124	147	156	111	133	106	84	142
1960	120	112	84	103	125	145	160	111	133	106	88	147
1961	121	112	85	103	126	144	163	112	132	108	86	149
Jan.	122	113	84	109	---	---	---	---	---	---	---	148
Feb.	122	113	85	108	---	---	---	---	---	---	85	---
Mar.	122	114	85	111	126	144	162	112	132	---	86	---
Apr.	122	113	84	109	---	---	---	---	---	107	86	150
May	122	112	86	102	---	---	---	---	---	---	86	---
June	121	112	86	97	125	143	163	112	132	---	---	---
July	121	111	86	94	---	143	---	---	---	---	---	151
Aug.	121	112	85	99	---	---	---	---	---	---	---	---
Sept.	121	112	85	99	126	143	164	112	132	108	89	---
Oct.	121	112	84	101	---	143	---	---	---	---	---	148
1962:												
Jan.	123	113	86	102	---	---	---	---	---	---	---	152
Feb.	123	113	85	104	---	---	---	---	---	---	89	---
Mar.	123	114	85	107	124	149	165	113	132	---	90	---
Apr.	124	114	86	110	---	---	---	---	---	107	89	155
May	124	114	86	106	---	---	---	---	---	---	90	---
June	123	113	86	103	124	150	166	112	132	---	---	---
July	123	113	85	103	---	149	---	---	---	---	---	154
Aug.	123	113	85	105	---	---	---	---	---	---	---	---
Sept.	124	114	87	109	125	149	168	112	131	107	90	---
Oct.	124	114	87	111	---	149	---	---	---	---	---	153

Statistical Reporting Service.

THE FARM COST SITUATION

Approved by the Outlook and Situation Board, November 2, 1962

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THE HIGHLIGHTS

Farm production expenses through the first 3 quarters of 1962 continued the upward trend of the past few years and were up about $600 million from the January to September 1961 period (table 1). However, higher cash receipts and an increased rate of government payments helped to sustain farmers'realized net income at about 1 percent above last year. Farm production expenses are expected to reach a record high of $27.7 billion in 1962. Both higher prices paid and larger quantities of production inputs are contributing factors.

Farm wage rates have increased in 1962 and likely will continue to increase somewhat in 1963. The total hired farm wage bill in 1963, however, is expected to be about the same as this year. The probable decline in the number of hired workers will about offset the expected wage rate increase. Nonfarm demand for labor has been greater the past year than in 1961. Hourly earnings of production workers in manufacturing are expected to average $2.38 per hour in 1962, up 2.6 percent from a year ago.

Prices of farm machinery are likely to continue the price rise which has been evident since the early 1940's. But the rate of increase probably will be less. Prices of motor vehicles have risen 4 percent in 1962 to reverse a downward price movement which started after a peak in 1959.

The trend toward diesel tractors slowed down in 1962. Further increases in numbers are expected, but the rate of increase will be less than in the past few years. Self-propelled machines are expected to continue popular - possibly even contributing to a decline in tractor numbers. But with larger tractors and more self-propelled machines the total mechanical horsepower used on farms probably will continue to increase.

Prices paid by farmers for building and fencing materials the first 10 months in 1962 averaged essentially the same as last year. They have remained at about the same level for the past 4 years, after having increased during the previous 20 years. It is quite likely that the 1962 average will hold in 1963.

Table 1.--Gross farm income, production expenses, net income, and related indexes, specified years, 1950 to 1962

Item	1950-54 average	1955-59 average	1961	1962 1/ First quarter	1962 1/ Second quarter	1962 1/ Third quarter	1962 1/ Year 2/
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
Cash receipts from farm marketings	31.0	31.4	35.2	35.4	35.3	35.5	---
Nonmoney income and government payments	4.2	4.2	4.7	4.9	5.0	5.0	---
Realized gross farm income	35.2	35.6	39.9	40.3	40.3	40.5	---
Farm production expenses	21.4	23.9	27.1	27.5	27.6	27.7	---
Farm operators' realized net income	13.8	11.7	12.8	12.8	12.7	12.8	---
Net change in farm inventories	.5	.3	.2	.1	.1	0	---
Farm operators' total net income	14.3	12.0	13.0	12.9	12.8	12.8	---
	Index numbers (1947-49=100)						
Volume of farm marketings:							
Livestock and livestock products	110	127	140	---	---	---	142
Crops	101	114	131	---	---	---	129
All farm products	106	121	136	---	---	---	136
Volume of purchased inputs	109	116	124	---	---	---	---
Productivity or output per unit of total input	103	116	127	---	---	---	---
Prices received by farmers:							
Livestock and livestock products	99	85	86	89	83	85	---
Crops	101	92	91	89	93	93	---
All farm products	100	88	89	90	87	88	---
Prices paid by farmers for commodities used in production, interest, taxes, and wage rates	112	114	121	123	124	123	---
Ratio of prices received to prices paid for production items (including interest, taxes, and wage rates)	89	77	74	73	70	72	---

1/ Dollar figures are seasonally adjusted at annual rates. 2/ Preliminary.

Prices paid by farmers for fertilizer have remained almost constant during the past 6 years. Fertilizer and feed prices are the only major items of cash farm expenditures which have not shown some increase above the 1957-59 level. Plant capacity for fertilizer is quite adequate. Increased capacity in recent years has been a major factor in the favorable cost position of fertilizer, particularly nitrogen, relative to other production inputs purchased by farmers.

Prices of pesticides have been generally steady during 1962. Manufacturers reduced wholesale prices of 2,4-D esters in September as much as 17.5 percent, presumably owing to competition of other newer herbicides. Prices of methyl parathion and DDVP were up, while prices of such older materials as rotenone and lead arsenate were lower.

For the second successive year, production of feed grains is estimated to be less than utilization. With an expected increase of about 4 million grain-consuming animal units, the supply of concentrates per animal unit is expected to be 1.4 tons in 1962 or about 8 percent less than last year. The carryover in 1963-64 probably will be reduced to about 57 million tons. The major factors influencing feed grain prices this year are quite similar to those last year. The CCC will again have substantial quantities of feed grains to sell against certificates under the 1962 Feed Grain Program.

Carryover stocks of field seed controlled by dealers at midyear of 1962 were 15 percent below last year. Supplies of winter cover crop seeds were also down from last year. The only winter cover crop for which supplies of seeds are expected to be above last year's supplies is Austrian winter peas. Prices paid for seeds in 1962 are expected to be about 4 percent above 1961.

Prices of feeder cattle in October averaged $2.40 more than a year ago. Lambs were $2.90 more and hogs $1.40 more. Baby chicks were over $2.00 higher than a year ago.

Tax levies were increased in 1962 and probably will be in 1963 also. Taxes per acre of farmland are estimated to average about $1.38 per acre in 1962 compared with $1.30 in 1961 and an average of $1.06 in 1957-59.

Interest rates on new farm loans have been generally stable in 1962 at levels a little below the average for last year and markedly below 1960. The outlook is for little change in rates in the coming year. However, during 1962 total interest payments will be about 6 percent above 1961 due to an increase in total farm debt of about 7 percent.

Farmers are carrying an increased amount of insurance each year, and premium rates have been relatively stable. More farmers are purchasing hail insurance, and the Federal Crop Insurance Corporation has reported an increase in the demand for all-risk insurance.

The national index of prices for farm real estate increased 2 percent from March 1 to July 1, 1962, and 5 percent from July 1, 1961. However, there were mixed trends over the Nation. Changes in the Northeast and North Central portions of the country were nominal, but moderate increases occurred in most of the States in the Southeast and Mountain Regions. The imputed rate of return on real estate valued at the going market price was at a 3 year high in 1961 but still below the prevailing rate of interest on farm mortgages.

Costs and returns on farms over the Nation varied considerably due to differences in weather, crop yields, prices received, changes in efficiency, and prices paid for goods and services used in production. Operating costs per unit of production in 1962 were higher on 6 of the 8 types of farms in major producing areas of the United States. Production increased on most types of farms.

FARM LABOR

The total 1963 farm labor bill is expected to be about the same as in 1962. However, each hour of labor hired will cost more. Farm wage rates are expected to be about 3 percent higher in 1963. But the added cost per hour probably will be offset by an expected decline in hiring. Total farm employment is expected to be about 3 percent lower this year than in 1961, and man-hours of farmwork probably will decline to about 9.3 billion hours.

The national average of all types of cash farm wage rates is expected to be about 86 cents per hour in 1962 (table 2). In addition to cash wages, many farmworkers receive perquisites in the form of board, housing, and farm products. Currently, perquisites are equivalent in value to about one-fifth of cash wages. The expected annual average composite wage rate of 86 cents per hour in 1962 reflects an increase of a little over 3 percent from last year. This increase in hourly labor cost is greater than the increase in output per man-hour which will average about 2.5 percent this year.

In comparison, the hourly earnings of production workers in manufacturing are expected to average $2.38 per hour in 1962, up 2.6 percent from a year ago. Unemployment rates are lower this year than in 1961, and reflect a general improvement in the state of the economy.

Regional differences in the upward climb in farm wage rates are significant (fig. 1). The greatest rise among the regions' composite rates since 1954--23 cents per hour--occurred in the Pacific region and New England, the two highest paying regions in the Nation. Rates paid hired farmworkers in the southern regions remain lower than in other parts of the country.

The rate of unemployment of the farmwork force has been appreciably lowered this year. Two factors bulk large: (1) the improving economy, and (2) the reduction in the number of foreign workers. A comparison of April to August figures shows that 25 percent fewer foreign workers were employed in agriculture this year than in 1961.

The farm labor program admitting Mexican nationals for farmwork in the United States (P.L 78) operated this year under more severe restrictions than in past years. Under new amendments enacted by the Congress in 1961 and new procedures of the Department of Labor designed to implement provisions of the Act, farmers have had to offer domestic workers working conditions comparable to those offered Mexican workers, and to offer and pay domestic workers wage

Table 2.--Labor used on farms, wage rates, and related data, United States, 1940-62 1/

Year	Farm employment			Man-hours of farmwork	Farm output index (1957-59=100)		Average hourly wage rates	
	Total 2/	Family 2/	Hired		Total 3/	Per man-hour	Farm workers 4/	Industrial workers 5/
	Thousands	Thousands	Thousands	Millions			Dollars	Dollars
1940------	10,979	8,300	2,679	20,472	70	37	0.17	0.66
1941------	10,669	8,017	2,652	20,046	73	39	.21	.73
1942------	10,504	7,949	2,555	20,583	82	43	.27	.85
1943------	10,446	8,010	2,436	20,297	80	43	.36	.96
1944------	10,219	7,988	2,231	20,163	83	44	.43	1.01
1945------	10,000	7,881	2,119	18,838	81	47	.48	1.02
1946------	10,295	8,106	2,189	18,080	84	50	.52	1.08
1947------	10,382	8,115	2,267	17,196	81	51	.55	1.22
1948------	10,363	8,026	2,337	16,833	88	56	.58	1.33
1949------	9,964	7,712	2,252	16,202	87	58	.56	1.38
1950------	9,926	7,597	2,329	15,137	86	61	.56	1.44
1951------	9,546	7,310	2,236	15,209	89	63	.62	1.56
1952------	9,149	7,005	2,144	14,442	92	69	.66	1.65
1953------	8,864	6,775	2,089	13,870	93	73	.67	1.74
1954------	8,639	6,579	2,060	13,249	93	76	.66	1.78
1955------	8,364	6,347	2,017	12,795	96	81	.68	1.86
1956------	7,820	5,899	1,921	12,062	97	87	.70	1.95
1957------	7,577	5,682	1,895	11,162	95	92	.73	2.05
1958------	7,525	5,570	1,955	10,712	102	103	.76	2.11
1959------	7,384	5,459	1,925	10,519	103	105	.80	2.19
1960------	7,118	5,249	1,869	9,974	106	115	.82	2.26
1961------	6,990	5,104	1,886	9,588	107	120	.83	2.33
1962 6/---	6,770	4,941	1,829	9,293	106	123	.86	2.38

1/ Data on farm employment and farm wage rates are from the Statistical Reporting Service, USDA.

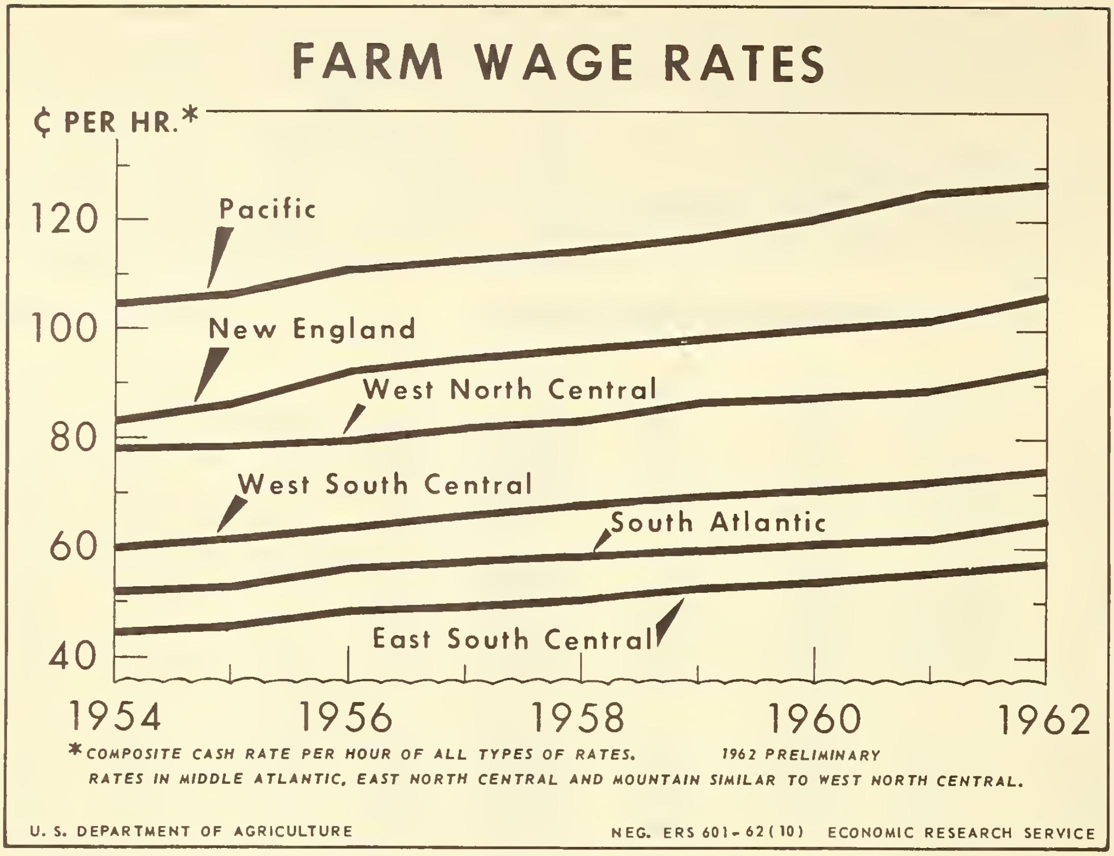
2/ Includes farm operators and members of their families.

3/ Net calendar-year production for eventual human use.

4/ Composite or hourly equivalent of all types of rates, excluding perquisites.

5/ Average hourly earnings of production workers in manufacturing. From the Bureau of Labor Statistics, U. S. Dept. of Labor. Figure for 1962 is average of first 8 months.

6/ Preliminary. Estimates of farm output and man-hours based on September 1962 "Crop Production" report and other releases of the Statistical Reporting Service, USDA.



*COMPOSITE CASH RATE PER HOUR OF ALL TYPES OF RATES. 1962 PRELIMINARY
RATES IN MIDDLE ATLANTIC, EAST NORTH CENTRAL AND MOUNTAIN SIMILAR TO WEST NORTH CENTRAL.

U. S. DEPARTMENT OF AGRICULTURE NEG. ERS 601-62(10) ECONOMIC RESEARCH SERVICE

Figure 1

rates no less than what they must offer and pay Mexican workers. Moreover, the use of Mexicans for other than temporary or seasonal occupations, or for operating or maintaining power-driven machinery, has been prohibited except in cases of undue hardship.

In addition, the Secretary of Labor, following public hearings conducted by the Department of Labor, determined that he was unable to certify that Mexican workers would not adversely affect the wages and working conditions of domestic workers when paid hourly wage rates less than the following: 1/

Arizona	$0.95	Kansas	$1.00	North Dakota	$1.00
Arkansas	.60	Kentucky	.80	Oregon	1.00
California	1.00	Michigan	1.00	South Dakota	1.00
Colorado	.90	Minnesota	1.00	Tennessee	.65
Georgia	.75	Montana	1.00	Texas	.70

1/ Farm Labor Market Developments, U. S. Dept. Labor, Bur. Employment Security, March-April and June issues, 1962.

Illinois	$1.00	Nebraska	$1.00	Utah	$1.00
Indiana	1.00	Nevada	1.00	Wisconsin	1.00
Iowa	1.00	New Mexico	.75	Wyoming	1.00

Furthermore, the Secretary of Labor stipulated that piece rate workers would in no event be paid less than the prescribed hourly rates.

The more stringent regulations regarding use of foreign nationals have caused many growers to intensify mechanization or to use domestic rather than foreign workers. The determination of adverse effect on employment and earnings of domestic workers resulted in increases in prevailing wage rates in some States.

The supply of year-round hired workers, such as dairy and poultry workers, continued tight in 1962 with shortages existing in some areas. No increase in the supply of these workers is anticipated in 1963.

NONFARM INPUTS

Farm Power and Machinery

Prices paid for motor vehicles (including tractors) and farm machinery may be slightly higher in 1963 than in 1962. This reverses the downward price movement of motor vehicles other than tractors, following a peak in 1959, and continues the general price rise of tractors and other farm machinery since the early 1940's.

Prices paid per motor vehicle were 4 percent higher in June 1962 than a year earlier and farm machinery prices rose approximately 2 percent during the same period (fig. 2). Contributing to these increases, as far as tractors were concerned, were smaller tractor inventories in the hands of dealers and manufacturers, plus a continuing trend toward higher horsepower tractors and toward power steering, hydraulic equipment, and other attachments that were not as available a few years ago. The trend toward more diesel tractors, however, slowed down in recent months. Diesels accounted for only 42 percent of the total tractors produced during the first 6 months of 1962 as compared with 47 percent in 1961.

With the continuing decrease in the number of farms and increase in farm size, self-propelled and specialty machines are increasing in numbers relative to other kinds of machines. A self-propelled windrow swather or combine may replace a tractor and mower or a tractor and pull-type combine. Partly as a consequence, tractors may gradually decline in number but with trends toward larger tractors and more self-propelled machines the total mechanical horsepower on farms will probably continue to increase for some time.

The production of farm machinery as measured by the value of domestic shipments has been relatively low for the past 2 years. But shipments in the first 6 months of 1962 were slightly higher than in the same period of 1961.

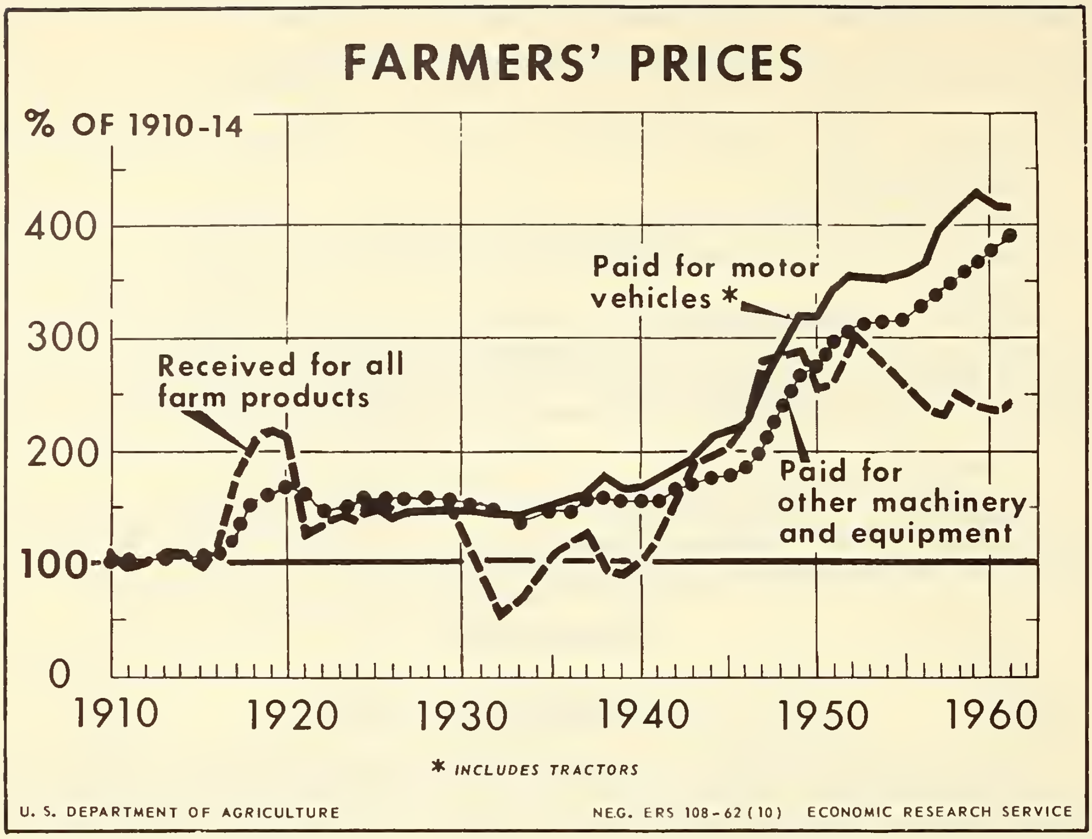


Figure 2

With a relatively high level of farm income in 1962 and a more pressing need for replacements, this increase probably will continue into 1963.

Shipments of equipment used primarily for materials handling accelerated rapidly for several years through 1959 but except for pipeline milkers leveled off in 1960 (table 3). The upward trend resumed generally in 1961, although this was not true of a few items such as hay conditioners and elevators. Shipments of pipeline milkers are likely to continue high, keeping pace with trends toward larger dairy herds.

The progress of mechanization on farms can be measured in terms of tractor horsepower per 100 acres of crops harvested (fig. 3). On this basis, over 4 times more mechanical horsepower was available for farm use in 1961 than in 1940. This increase in mechanical power reflects the need to make more effective use of increasingly scarce and costly man labor. At the same time, the increase in mechanization has contributed to higher farm wages by increasing the need for relatively skilled labor to operate the more complex machines.

Table 3.--Trends in domestic shipments of farm machines and equipment used mainly for materials handling, 1955-59

Item	Units shipped					
	1956	1957	1958	1959	1960	1961
	Number	Number	Number	Number	Number	Number
Hay conditioners	1,347	1/	31,147	48,798	38,146	28,760
Silo unloaders	2,501	3,548	5,487	9,696	7,608	15,987
Power unloading racks (for wagons and trucks)	5,608	8,416	14,317	20,856	15,726	28,100
Pipeline milking units (individual clusters)	14,643	17,738	16,164	23,014	23,652	28,721
Barn cleaners	8,051	8,613	11,867	12,373	9,668	10,416
Elevators	167,998	174,187	207,382	206,282	163,778	141,466

1/ Not reported separately.

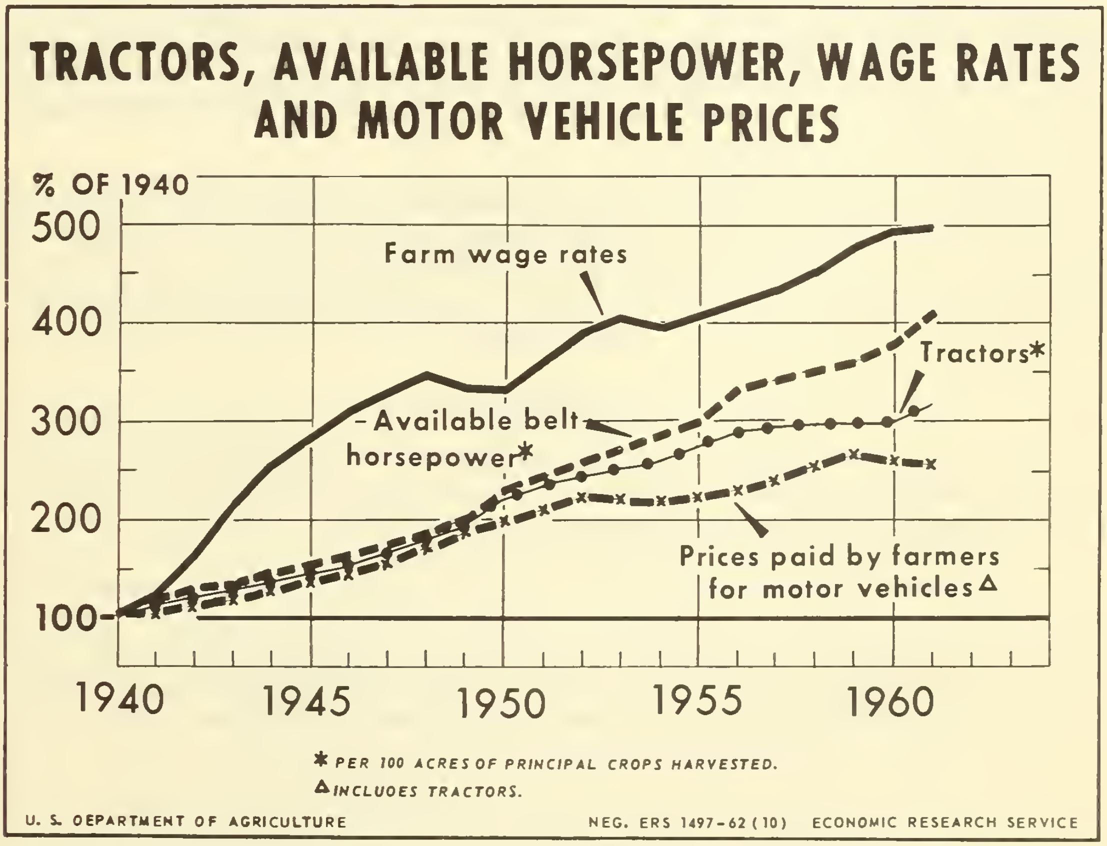


Figure 3

Building and Fencing Materials

Prices paid by farmers for building and fencing materials in 1962 have averaged essentially the same as last year. They have remained at about the same level for the last 4 years, after having increased steadily during the preceding 20 years. It is quite likely that the average will hold firm in 1963.

Price changes from 1961 to 1962 for individual building materials were mixed and generally small. Lower prices were paid for many wood products and higher prices for portland cement, asphalt shingles, asbestos shingles, and paint. Steel products remained about the same. Changes in 1963 probably will again be relatively modest.

Expenditures for new construction of farm service buildings, additions, and major improvements have varied between three-quarters and one billion dollars annually in the last 15 years. These capital expenditures increased rapidly after World War II and reached a peak in 1952. They declined from 1952 through 1958, but since then have shown a tendency to rise. Capital expenditures of farmers tend to vary from year to year, reflecting changes in farm income, availability of materials, price relationships, advances in technology, and changes in the number of farms.

As materials handling becomes more mechanized and intricate, the machines become almost a part of the buildings. Under these conditions farmers can improve incomes by putting up new and improved buildings. Many of these buildings can be of a less permanent type so that they can be depreciated quickly and replaced as innovations in crop handling, livestock feeding, and management practices are made.

Future purchases of farm building materials depend much on the rate of farm consolidation and the nature of farming that prevails on the farms that remain. The farmer will have many new structural designs from which to choose. More materials probably will be available in prefabricated and precut or precast form. The market also will include new kinds of building materials.

Fertilizer

Prices paid by farmers for fertilizer have remained almost constant since 1956. Fertilizer and feed prices were the only major cash farm expenditures which have not shown some increase since 1959.

Preliminary evidence indicates some continued increase in fertilizer consumption in 1962 but the increase appears to be small compared with that between 1960 and 1961. Use of nitrogen (N) may have increased 5 to 6 percent for the United States as a whole, or less than one-third the increase of last year. Use of the other principal plant nutrients--phosphorus (P_2O_5) and potash (K_2O)--may have increased about 2 percent over 1961.

Preliminary estimates, based in part on census data, indicate that about 60 percent of the total U. S. consumption of commercially produced plant nutrients was used on feed crops and less than 25 percent on all food crops.

Feed grains received 47 percent (corn alone nearly 40 percent) of all fertilizer nutrients used on farms in 1959. Hay and pasture and strictly non-food crops received about 13 percent each, leaving 27 percent for food and miscellaneous crops.

Comparable estimates for 1954 and 1959 indicate a marked rise in rates of application per acre for the important fertilizer using crops. The substantial increase in fertilizer use in 1961, coupled with reduced acreage resulted in an accelerated increase in rates per acre. Yield response data would indicate a corresponding increase in yields, assuming no change in other technology or in weather.

In the eight Corn Belt and Lake States the average rate of nitrogen applied per acre of fertilized corn rose from 23 pounds in 1954 to 35 pounds in 1959. There was little change in the rate applied in 1960 in these States, but the increase in 1961 is estimated at 15 pounds, or 3 pounds more than the total increase for the 5 year period 1954 to 1959. Latest estimates indicate an average rate of about 50 pounds in 1961 and little change in 1962 for these eight States.

However, the average rate of application of P_2O_5 and K_2O on corn appeared to have been somewhat reduced in these States compared with last year. Except for possible residual effects of the high rates of 1961, and assuming little change in other conditions for the eight States as a whole, a reduction of between 5 to 8 pounds in the average rate of application of all plant nutrients per acre fertilized would account for some decrease in yield. Possible increases in rates of application in fringe areas would have little influence on average yields as a whole.

Plant capacity for fertilizer production appears to be adequate for 1963. Increased capacity developed in recent years has been a major factor in the favorable cost position of fertilizer, particularly nitrogen, relative to other production inputs purchased by farmers.

Pesticides

Prices of pesticides were generally steady during 1962. Manufacturers reduced wholesale quotations for 2,4-D esters in September as much as 17.5 percent presumably owing to competition of other newer herbicides. Prices of methyl parathion and DDVP in 1962 were up slightly over 1961, while prices of other materials such as rotenone and lead arsenate were quoted lower. Because the volume of sales has become so small, quotations for calcium arsenate, nicotine sulfate, and paris green are no longer published.

Of the total production of synthetic organic pesticidal chemicals in 1961, fungicides comprised 24 percent, herbicides 20 percent and insecticides 56 percent. The growth of chemical weed control in recent years has been outstanding, in great part due to the successful development of selective materials which can be safely applied at planting time to major crops such as corn and small grains. The production of insecticides has not expanded as rapidly in the last several years as the other major types of organic pesticides, although a large number of new synthetic insecticides has come into production in this period.

FARM PRODUCED INPUTS

Feed

The major factors influencing feed grain prices this year are quite similar to those in 1961-62. Price supports for 1962 feed grains are at the same levels as in 1961. Feed grain production in 1962 is estimated to be near the 1961 level, and the CCC under the 1962 Feed Grain Program again will have substantial quantities of feed grains to sell against certificates. These factors indicate that the general level of feed grain prices this feeding year may average near or a little above a year earlier.

For the second successive year, production of feed grains and other feed concentrates is estimated to be less than utilization. Based on the October crop report, utilization in 1962-63 probably will exceed production in 1962 by about 14 million tons, reducing the carryover in 1963-64 to about 57 million tons.

The total supply of all concentrates for 1962-63 is estimated at about 241 million tons, down 15 million tons or 6 percent from last year and 19 million tons or 8 percent from the peak year 1960. With an expected increase of about 4 million grain-consuming animal units, the supply per animal unit would be 1.4 tons, about 8 percent less than that of last year.

The supply of feed grains (corn, sorghum grains, oats, and barley) in 1962-63 will be about 210 million tons, based on the October 1 crop report. This is about 15 million tons or 7 percent less than last year. Since total feed grain production is estimated to be only 1.7 million tons less than last year, most of the reduction in supply is due to the reduction in carryover into the 1962-63 feeding year.

The corn supply for 1962-63, including only corn harvested for grain, is estimated to be about 143.6 million tons, which will be about 14 million tons less than in 1961. This year's crop is now estimated at 98.3 million tons, 3 percent less than a year ago.

The supply of sorghum grains for 1962-63 is estimated at about 32 million tons, about 3 percent less than in 1961-62. The 1962 crop is estimated at 13.8 million tons, about the same as in 1961 but 21 percent below the record crop of 1960.

The supply of oats for 1962-63 is estimated to be about 21.0 million tons, slightly lower than a year earlier. The supply is 30 million bushels less than a year ago and more than 200 million bushels less than the 1956-60 average. The production of oats, 16.4 million tons, is 1 percent above last year's crop but nearly 15 percent smaller than the 1956-60 average.

This year's supply of barley, 13.8 million tons, is about the same as the 1961-62 supply, but is about 6 percent less than the 1956-60 average. The 1962 production is about 10 percent larger than last year's crop, and about equal to the 1956-60 average.

The 1962 soybean crop, now estimated at 672 million bushels, is 21 million bushels less than the record crop of 1961. The carryover October 1, 1962, was 58 million bushels compared with only 6 million bushels a year earlier. This would give a supply of 730 million bushels, nearly 6 percent above the record in 1961. Demand is expected to continue strong for soybean meal during the coming year.

Cottonseed meal production during 1962-63 will be about the same as a year earlier. Production of linseed meal may be slightly above that of 1961-62. Production of peanut meal will be a little below a year ago, while the production of copra will be up slightly from a year ago.

The supply and utilization of feed concentrates and animal units of livestock fed in the United States annually from 1952 through 1962 are shown in table 4. Five-year averages from 1937 to 1962 are also given. Concentrates fed per animal unit have increased about 26 percent in the past 10 years.

Average prices of selected feeds on October 15 of 1960, 1961, and 1962 are given in table 5. A percentage comparison of the 1961 and 1962 prices shows that of the 4 feed grains, barley, at 90 percent of last year's price, is the only one to show a significant difference from a year earlier. The prepared commercial feeds are about 2 to 3 percent higher than a year ago, but the by-product feeds, quoted separately were from 7 to 15 percent higher than a year earlier, with soybean meal showing the greatest increase in price.

Feed inputs per unit of livestock production for the period 1940-1961 are shown in figure 4. Feed consumption per unit of production for all classes of livestock increased slightly, except for sheep and chickens raised for replacement purposes.

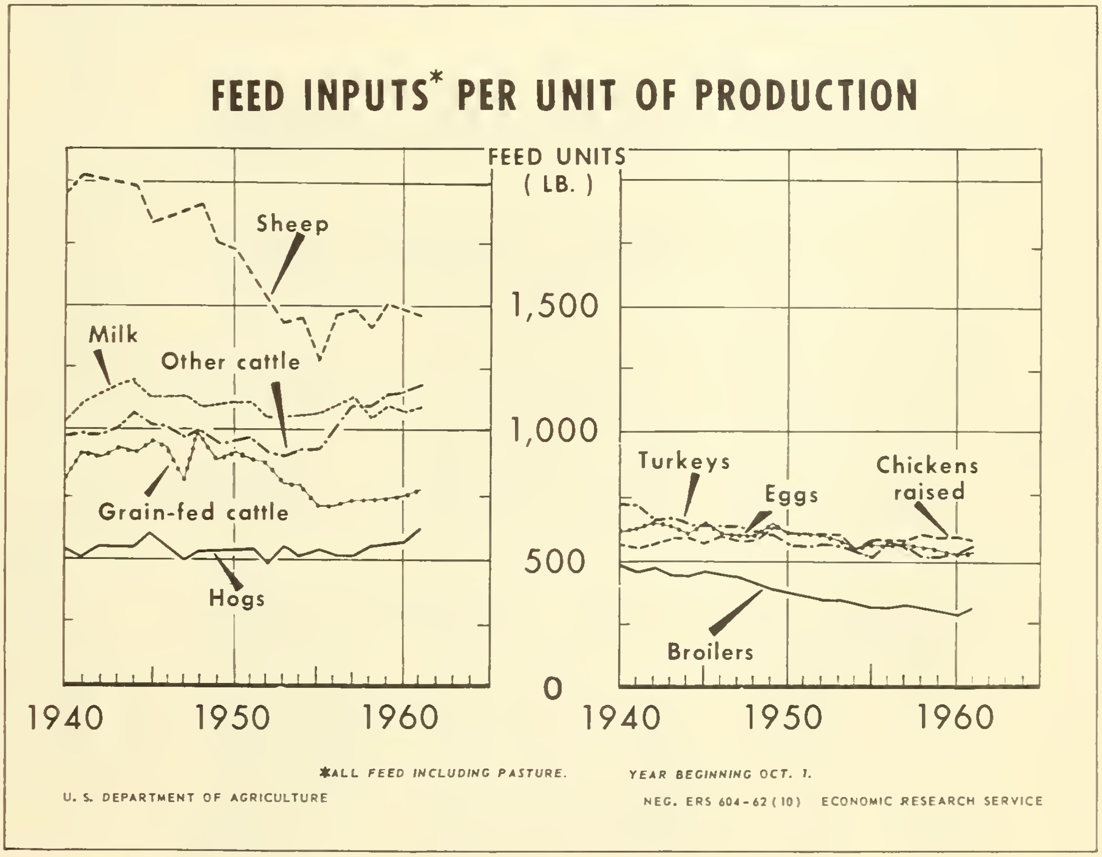


Figure 4

Table 4.--Supply and utilization of feed concentrates, and livestock fed, United States, 1937-62 1/

Year beginning Oct. 1	Supply				Utilization		Stocks of feed grains, end of year 3/	Number of grain-consuming animal units	Per grain-consuming animal unit		
	Stocks of feed grains, beginning of year	Production of feed grains	Other feed concentrates 2/	Total supply	Seed, human food, industry, and export	Concentrates fed to livestock			Production of feed grains	Supply of concentrates	Concentrates fed
	Million tons	Million tons	Million tons	Million tons	Million tons	Million tons	Million tons	Millions	Tons	Tons	Tons
Average:											
1937-41------	16.9	92.2	19.9	129.0	12.1	97.9	19.9	153.1	0.60	0.84	0.64
1942-46------	14.7	109.2	29.4	153.3	14.8	124.9	13.5	176.9	.62	.87	.71
1947-51------	22.2	108.8	25.5	156.5	17.1	115.9	23.5	162.2	.67	.96	.71
1952-56------	32.2	114.7	27.1	174.0	18.4	117.7	38.0	160.7	.71	1.08	.73
1957-62------	67.6	143.5	30.2	241.3	26.2	145.9	69.0	167.0	.86	1.04	.87
1952-----------	20.1	111.0	27.9	159.0	16.9	114.0	27.0	158.9	.70	1.00	.72
1953-----------	27.0	108.3	27.7	163.0	16.0	116.5	31.7	156.9	.69	1.04	.74
1954-----------	31.7	114.1	26.1	171.9	18.5	116.3	39.1	161.6	.71	1.06	.72
1955-----------	39.1	120.8	26.9	186.8	20.6	121.9	43.2	165.3	.73	1.13	.74
1956-----------	43.2	119.3	27.0	189.5	19.9	119.7	48.8	160.9	.74	1.18	.74
1957-----------	48.8	132.4	28.6	209.8	22.9	129.1	59.0	159.9	.83	1.31	.81
1958-----------	59.0	144.1	29.9	233.0	25.7	140.2	67.5	167.7	.86	1.39	.84
1959-----------	67.5	149.6	30.0	247.1	25.2	145.3	74.6	165.7	.90	1.49	.88
1960-----------	74.6	155.6	29.9	260.1	25.2	150.1	84.7	167.6	.93	1.55	.90
1961 4/--------	84.7	140.6	31.1	256.4	30.9	153.7	71.0	168.6	.83	1.52	.91
1962 5/	71.0	138.9	31.5	241.4	27.5	157.0	57.0	172.5	.81	1.40	.91

1/ Grain and Feed Statistics, U. S. Department of Agriculture, Economic Research Service.

2/ Includes byproduct feeds, imported grains, and domestic wheat and rye fed.

3/ Stocks do not necessarily equal supply less feed and other utilization because of a difference in the crop year for different feed grains.

4/ Preliminary.

5/ Preliminary estimates based on indications in October 1962.

Table 5.--Average prices of selected feed, United States, Oct. 15, 1960, 1961, and 1962

Item	Unit	1960	1961	1962 1/	1962 as percentage of 1961
		Dollars	Dollars	Dollars	Percent
Prices received by farmers:					
Corn	Bushel	0.99	1.02	1.02	100
Oats	do.	.60	.64	.62	97
Barley	do.	.84	.99	.89	90
Sorghum grain	Cwt.	1.42	1.61	1.62	101
Hay, baled	Ton	20.20	20.20	20.30	100
Prices paid by farmers:					
Mixed dairy feed, 16 percent protein	Cwt.	3.56	3.57	3.69	103
Laying mash	do.	4.26	4.29	4.41	103
Broiler mash	do.	4.55	4.55	4.69	103
Cottonseed meal, 41 percent protein	do.	3.96	4.06	4.36	107
Soybean meal, 44 percent protein	do.	3.96	4.23	4.85	115
Bran	do.	2.77	2.81	3.01	107
Middlings	do.	2.85	2.88	3.12	108
Alfalfa hay, baled	Ton	31.00	30.40	30.40	100
Average value of concentrate ration fed to poultry and milk cows: 2/					
Fed to poultry	Cwt.	3.28	3.33	3.43	103
Fed to milk cows, in milk-selling areas	do.	2.89	2.89	2.96	102
Fed to milk cows, cream-selling areas	do.	2.38	2.40	2.44	102

1/ Preliminary.

2/ Value of corn, oats, oilmeal, millfeed, commercial mixed feed, and so on, which make up 100 pounds of "grain" ration.

Gross returns from livestock enterprises per $1.00 of feed cost based on October 15 prices are shown in table 6. Considerable variation is shown with butterfat, eggs, milk, and hogs showing less return than a year ago--6, 6, 4, and 3 percent respectively. However, beef raising, sheep raising, turkeys and broilers showed increased returns of 8, 12, 23, and 27 percent respectively. The large increases in gross returns for turkey and broiler production occurred because of the relatively low prices in these enterprises on October 15, 1961.

Seed

Mid-September seed prices averaged 2 percent above seed prices for September 1961. Prices increased for 11 seeds, 3 were about the same and 13 were lower than in 1961. Carryover stocks of field seeds controlled by dealers at mid-year were 15 percent below last year and 34 percent below average. Stocks were smaller for 25 items and larger for 15.

The largest increases in prices paid were for common alfalfa (up 27 percent) common vetch, hairy vetch, red clover, certified alfalfa, tall fescue, timothy and wild winter peas (up 14 percent). Prices of orchard grass, smooth bromegrass and Austrian winter peas remained almost unchanged. Moderate price increases were reported for seed barley, rye and winter wheat. The largest declines in prices from a year earlier were from 13 percent for reseeding crimson clover and somewhat less for common ryegrass and perennial ryegrass, to 10 percent for common crimson clover. Declines of 6 percent or less were reported for white clover, crested wheat grass, redtop, Kentucky bluegrass, Ladino clover, alsike clover and seed oats.

Supplies of winter cover crop seeds were down from last year. Supplies of crimson clover are 11 percent below last year and one-third smaller than average. The 1962 lupine harvest was 26 percent less than the 1961 harvest and the smallest of record dating back to 1943. Mid-year stocks of ryegrass seed were down 9 percent from 1961. Preliminary indications show that production of all vetches is down 14 percent.

The expected supplies of all clover seeds will be 12 percent less than the 1961 supply. The sweetclover crop is the smallest on record and carryover is the lowest since 1949. Imports of sweetclover seed during the year ending June 30, 1962, were above average. Production of white clover seed is estimated at 50 percent of last year's crop but carryover was heavy. The initial supply was only 5 percent below the 10 year average.

The supply of Chewing fescue is 9 percent less than the supply available for 1961-62 seedings, but still 49 percent above average. Current

Table 6.--Gross returns from livestock enterprises per $1.00 of feed cost based on prices October 15, United States, 1960-62 1/

Livestock enterprise or product	1960	1961	1962	1962 as percentage of 1961
	Dollars	Dollars	Dollars	Percent
Eggs	1.90	1.59	1.51	95
Broilers	1.24	1.00	1.27	127
Turkeys	1.64	1.15	1.42	123
Milk	2.27	2.22	2.13	96
Butterfat	1.56	1.49	1.40	94
Hogs	2.03	1.95	1.90	97
Sheep raising	1.26	1.24	1.39	112
Beef raising	2.10	2.19	2.37	108
	Index numbers (1947-56=100)			
Eggs	106	89	84	---
Broilers	86	69	88	---
Turkeys	94	66	81	---
Milk	110	108	103	---
Butterfat	111	106	99	---
Hogs	119	115	112	---
Sheep raising	86	84	95	---
Beef raising	118	123	133	---

1/ The following quantities of feed were used to calculate the cost of feed:

Eggs (per dozen)---------------- 7 lbs. poultry ration
Broilers (per lb.)--------------- 2.5 lbs. broiler mash
Turkeys (per lb.)---------------- 4.5 lbs. poultry ration
Milk (per cwt.)------------------ 31 lbs. concentrates and 110 lbs. hay
Butterfat (per lb.)-------------- 7.75 lbs. concentrates and 27 lbs. hay
Hogs (per cwt.)------------------ 7.5 bu. corn and 20 lbs. soybean meal
Sheep raising (per cwt.)--------- 2 bu. corn and 1,500 lbs. hay
Beef raising (per cwt.)---------- 3 bu. corn and 600 lbs. hay

To estimate costs of all harvested forages and pasture in the above quantities of feed, feeds from these sources were converted into hay equivalent and the price received by farmers for "all hay" was applied. Feed nutrients from pasture were assumed to cost one-fourth as much as the nutrients in hay. About one-third of the feed consumed by sheep is used in the production of wool. During the period 1947-62, quantities of broiler mash used to calculate broiler feed costs were: 1947-49, 4 pounds; 1950-52, 3 1/2 pounds; 1953-54, 3 1/4 pounds; 1955-56, 3 pounds; 1957-60, 2.8 pounds; 1961, 2.6 pounds; 1962, 2.5 pounds. During the period 1947-62, the quantities of poultry ration used to calculate turkey feed costs were: 1937-49, 5.5 pounds; 1950-61, 4.75 pounds; 1962, 4.5 pounds. Basic data on amounts of feed fed are from Consumption of Feed by Livestock, 1909-56, U. S. Dept. Agr. Prod. Res. Rpt. 21, 128 pp., illus. 1958, with later unpublished data.

supplies of tall fescue are 27 percent less than a year ago and 26 percent below average. The supply of red fescue seed is 22 percent below the available supply a year ago.

The supply of smooth bromegrass is down one-third from last year. It probably will be the smallest crop since 1948. Carryover from last year's crop was about one percent less than average but almost 19 percent above the 1961 carryover.

The production of crested wheatgrass seed is expected to be nearly double last year's small crop. The 1962 crop is 28 percent above average and the largest since 1957.

Feeder and Replacement Livestock

Prices paid by farmers for feeder and replacement livestock averaged higher in October 1962 than last year. Cattle and calves averaged $2.40 higher per 100 pounds, lambs $2.90, and hogs $1.40. Broiler breeds of baby chicks were $1.60 per 100 higher but turkey poults were only $0.40 higher (table 7).

Table 7.--Prices paid by farmers for replacement livestock 1961-62

Class	1961		1962	
	April	October	April	October
	Dollars	Dollars	Dollars	Dollars
Feeders and stockers:				
Cattle and calves, per cwt.	23.70	23.40	24.80	25.80
Lambs, per cwt.	16.20	14.80	16.10	17.70
Hogs, per cwt.	18.20	17.50	16.80	18.90
Baby chicks, broiler breeds per 100	11.20	8.74	8.99	10.90
Turkey poults, per 100	62.60	55.40	61.10	50.80
Milk cows, per head	226.00	224.00	222.00	224.00

Price changes between April and October were quite erratic. Last year cattle prices decreased about 30 cents for the 5 month period, but hogs increased about 50 cents. This year, both increased in price. Prices for baby chicks and for turkey poults also decreased last year, but this year, prices for baby chicks increased about $3.90 per 100 and prices for turkey poults decreased more than they did in 1961. Prices of milk cows decreased $2.00 in both 1961 and 1962 between April and October.

The feeding margin for cattle has been quite favorable (figure 5) and cattle feeders had more cattle on feed October 1 than last year. Marketing of range cattle and calves has proceeded about the same as a year ago.

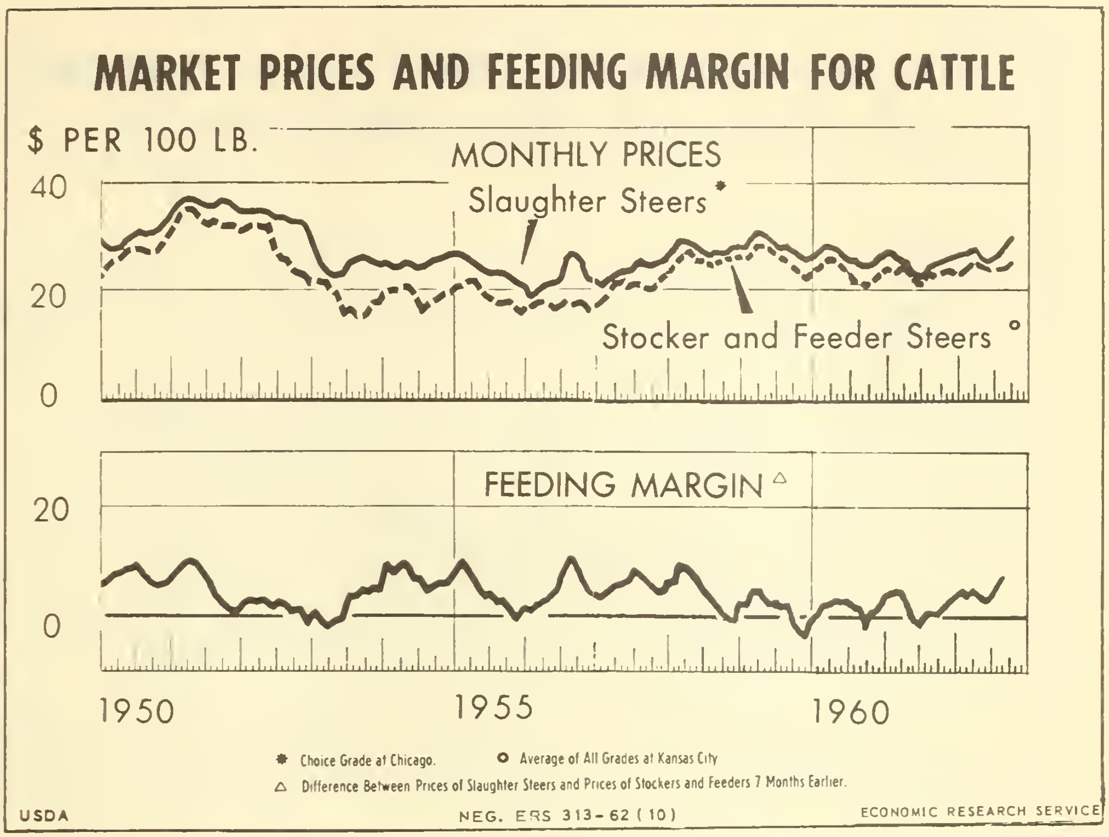


Figure 5

OVERHEAD COSTS

Taxes

Taxes levied on farm real estate in 1961 totaled $1,330 million, about 6 percent above the 1960 levies. Farm real estate taxes are expected to increase to about $1,409 million in 1962. This would bring taxes per acre of farmland to $1.38 compared with $1.30 in 1961, and an average of about $1.06 in 1957-59.

Farm real estate tax levies comprised 6 percent of total production expenses in 1960 (fig. 6). In general, the proportion of total production expenses accounted for by farm real estate taxes has been rising since 1944. The 1961 percentage is the largest since 1941.

About $285 million in taxes was levied on farm personal property in 1961. These levies (payable mostly in 1963) are expected to increase to about $303 million in 1962. Projections of recent trends indicate that in the future farms will require even larger amounts of personal property such as machinery. Taxes on these items are therefore expected to continue to increase.

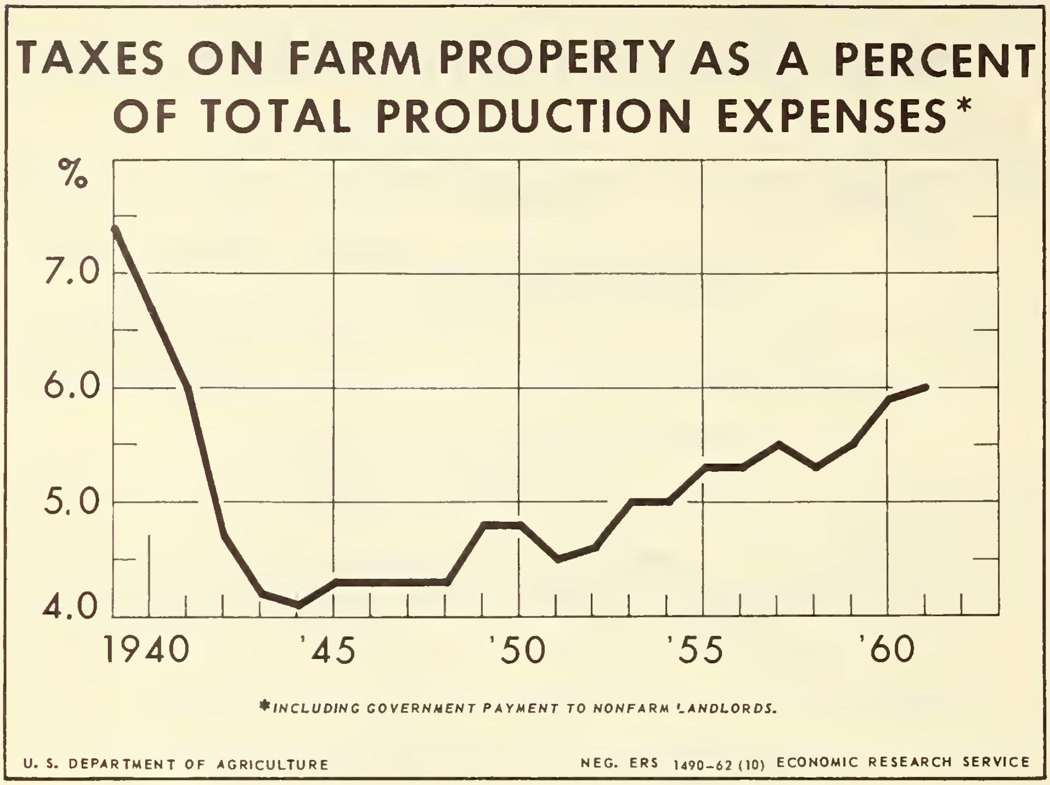


Figure 6

Interest

Farm debt is increasing this year at about the same rate as in 1961. Average interest rates on new farm loans have been generally stable at levels a little below the average for last year and markedly below those of 1960. Interest costs to farmers during 1962 are estimated at around $1.5 billion, an increase of about 6 percent from 1961. The increase in total farm debt (excluding CCC loans) is estimated at about 7 percent.

The outlook is for continued stability in interest charges on non-real-estate loans and a slight downward drift in farm mortgage rates. Rate changes in the central money market have been small since mid-1960 when the decline from late 1959 peaks ended. Federal Reserve policy has been directed at maintaining as easy credit and monetary conditions as possible without allowing short term rates to fall to levels that would encourage movement of short-term funds out of this country. In October 1962, short term rates in the central money market were up, while long term rates showed little change from their 1961 average. However, there were a growing number of reports of lower interest rates charged on urban mortgages, and these lower rates are likely to spread to farm mortgages.

Lending on farm real estate security has continued at a high level, and prospects are for another billion dollar increase in outstanding farm mortgage debt this year. In the first 9 months of 1962, direct and insured loans made by the Farmers Home Administration have risen sharply from the 1961 level. Life insurance company lending has been moderately higher, while the volume of loans made by the Federal land banks has changed very little.

Lending on non-real-estate security is continuing to increase at about the same rate as in 1961. For the year 1962 an increase in outstanding non-real-estate debt of about 6 percent is in prospect. Non-real-estate debt is increasing less rapidly than in 1959 and 1960.

Interest rates charged by the Federal land banks have remained unchanged since the first part of 1961. At the end of 1960 all of the banks were charging 6 percent. All except one bank lowered their rates in the first half of 1961, one bank reduced its rate to 5 3/4 percent, and 10 banks reduced their rates to 5 1/2 percent. However this reduction to 5 1/2 percent by one of the 10 banks was on a temporary basis; the contract rate was maintained at 6 percent. Rates charged on farm mortgage loans by the life insurance companies declined about 0.2 percent in early 1961, and since then have remained at around 5.8 percent. Rates charged on FHA farm ownership loans continue at 5 percent, and on rural housing loans at 4 percent. Rates charged by banks on farm mortgage loans generally range from 6 to 7 percent, according to a recent American Bankers' Association survey.

Interest rates charged by production credit associations on their short- and intermediate-term loans have changed little this year, with about 95 percent of the associations charging less than 7 percent. During 1961 rates continued to decline from the highs reached in mid-1960. The proportion of associations charging different rates is shown below:

Interest rate charged 1/	Percentage of associations charging rates, July 1		
	1960	1961	1962
	Percent	Percent	Percent
Below 6 percent	0	8	12
6 percent to 6 7/8	39	80	83
7 percent and over	61	12	5
All rates	100	100	100

1/ Rates shown exclude loan fees.

According to the ABA survey, rates charged by banks generally ranged between 6 and 7 percent in mid-1962, with about half to three-fourths of the banks reporting within this range. Rates averaged considerably higher on small installment loans than on other types of loans.

Insurance

Farmers carry an increasing amount of insurance each year. Premium rates have been relatively stable, but more insurance on fewer farms means an increased premium cost each year for the average farmer.

Larger fixed costs per farm and an increasing proportion of purchased supplies for production and family living have resulted in higher risks and more variable net farm incomes. Recent increases in the amount of insurance against hail damage to growing crops reflect an effort by farmers to reduce risks. A similar increase also is indicated for the all-risk crop insurance offered by the Federal Crop Insurance Corporation.

The FCIC is now rapidly adapting its programs to meet current conditions on farms. Premium rates have been adjusted to the experience gained in the years since the insurance program was first offered in 1939. Insurance coverage on more crops in more counties was offered in 1962 and a further expansion is now under way for 1963.

For the 6 years from 1957 through 1962, premiums collected by FCIC have exceeded indemnities paid out. This has increased the reserve funds available to meet the large losses that are likely to come in some years because of unfavorable crop conditions over large areas--for example, the severe drought over most of Montana and North Dakota in 1961. The expansion into new counties helps to broaden the base to meet losses.

Premiums collected by FCIC increased from about $18 million in 1961 to $22.5 million in 1962, and similar increases are expected in the next few years. This premium cost is a small proportion of the estimated $1.25 billion total premiums paid each year by farmers for all kinds of insurance. All-risk insurance is expected to continue to increase in importance in the next few years relative to other types of insurance protection for farmers.

FARM REAL ESTATE

Market prices of farm real estate showed mixed trends in the 4 months ended July 1, 1962. Changes in the northeast and north central portions of the country were nominal, whereas moderate gains were typical in most of the States in the southeast and mountain regions. These were sufficient to raise the national index to 186 (1947-49=100) or 2 percent above March 1, 1962, and 5 percent above July 1, 1961.

Mid-1962 market values were higher than a year earlier in all States except Maine (fig. 7). In the last 4-month period, the gains in prices were largest in the southeast and south central portions of the country. Substantially higher cash receipts from farm marketings in these states the first 8 months of 1962 may have contributed to this strength in land prices. However, market values in the Corn Belt have shown only moderate strength despite higher cash farm income in 1961.

About two-thirds of all farm land transactions in 1961-62 involved farmers as either sellers or buyers or both. About half of the buyers were

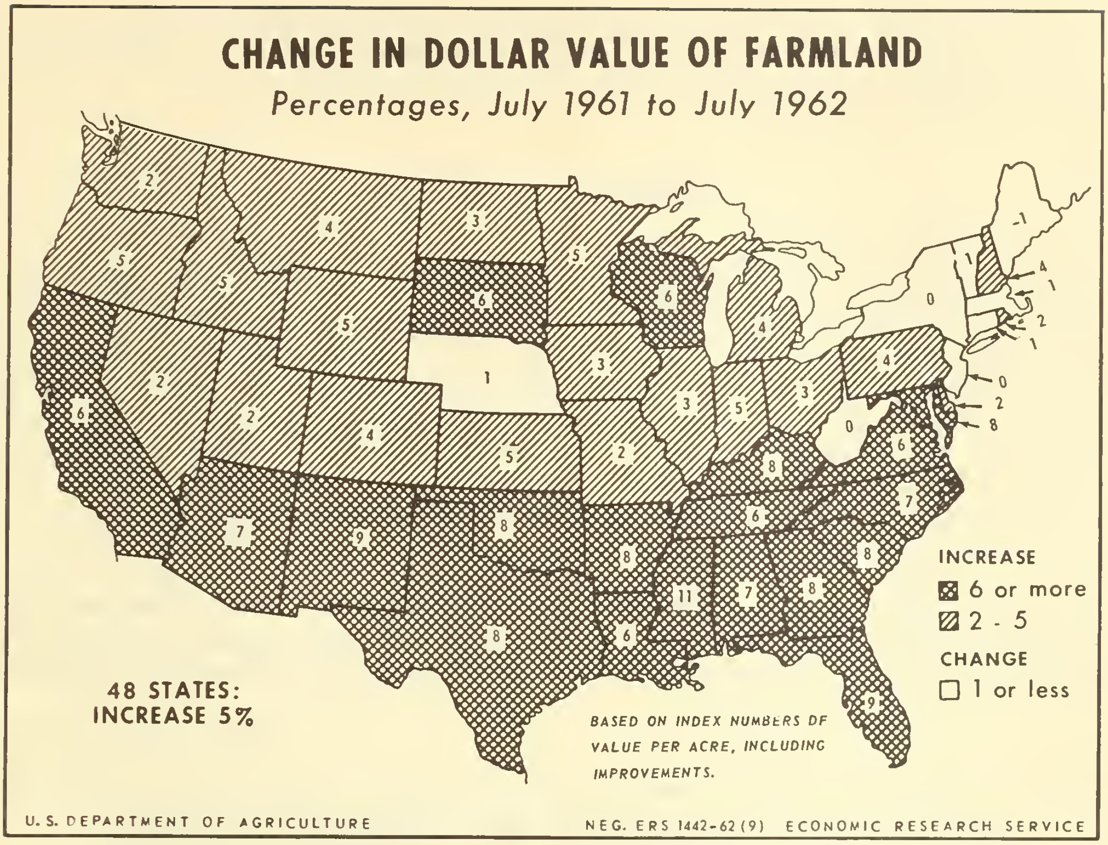

CHANGE IN DOLLAR VALUE OF FARMLAND
Percentages, July 1961 to July 1962
INCREASE
▩ 6 or more
▨ 2 - 5
CHANGE
☐ 1 or less
48 STATES: INCREASE 5%
BASED ON INDEX NUMBERS OF VALUE PER ACRE, INCLUDING IMPROVEMENTS.
U. S. DEPARTMENT OF AGRICULTURE
NEG. ERS 1442-62 (9) ECONOMIC RESEARCH SERVICE

Figure 7

farmers who already owned land, and who bought additional land to enlarge their present farms. About one-fourth of the sellers in 1961-62 were nonfarmers.

Buyers of farm real estate used a little more credit in 1961-62 than in previous years. Sellers continue to provide the major part of such credit, either by selling on installment land contracts, or by taking back mortgages for the unpaid balance. The average downpayment made by buyers dropped below one-third of the purchase price in 1962.

The previous slow-down in the rate of increase in farm real estate values in 1959 and 1960, along with higher net farm income, helped to raise the imputed rate of return on farm real estate (valued at current market prices) above the low point reached in 1959. After reaching a long-term low of 3 percent in that year, this rate increased to about 4 percent in 1960 and to nearly 5 percent in 1961. However, these rates are still below the prevailing rate of interest on farm mortgages. With the further increase in real estate values in 1962 and the prospects of not much change in net farm income, the rate of return for 1962 will likely be below the 1961 rate.

The market value of production assets averaged $47,600 per farm in 1962. More than three-fourths of this amount was accounted for by land and service buildings. Investments in productive assets--machinery and equipment, livestock, buildings and land per farm--have increased faster than value per acre because the number of farms has shown an annual decline of some 125,000 to 150,000 in recent years.

COSTS BY TYPE OF FARM

Preliminary estimates of production costs and returns for 1962 were made on 8 widely separated types of commercial farms in the United States. They show the wide variation due to the impact of weather, price changes, new technology and new practices (fig. 8 and table 8). Total costs per unit of production on these farms in 1962 ranged from an increase over 1961 of approximately 13 percent on dairy farms in the central Northeast to a decrease of 50 percent on spring wheat farms in the Northern Plains. They averaged higher on six of the eight types of farms. Costs per unit of production were lower on the spring wheat farms because of greatly increased yields in 1962, a result of better weather.

Prices paid for goods and services increased on seven types and remained unchanged on one. Prices paid for most items used in production on these farms continued to increase from 1961 to 1962, and were responsible in

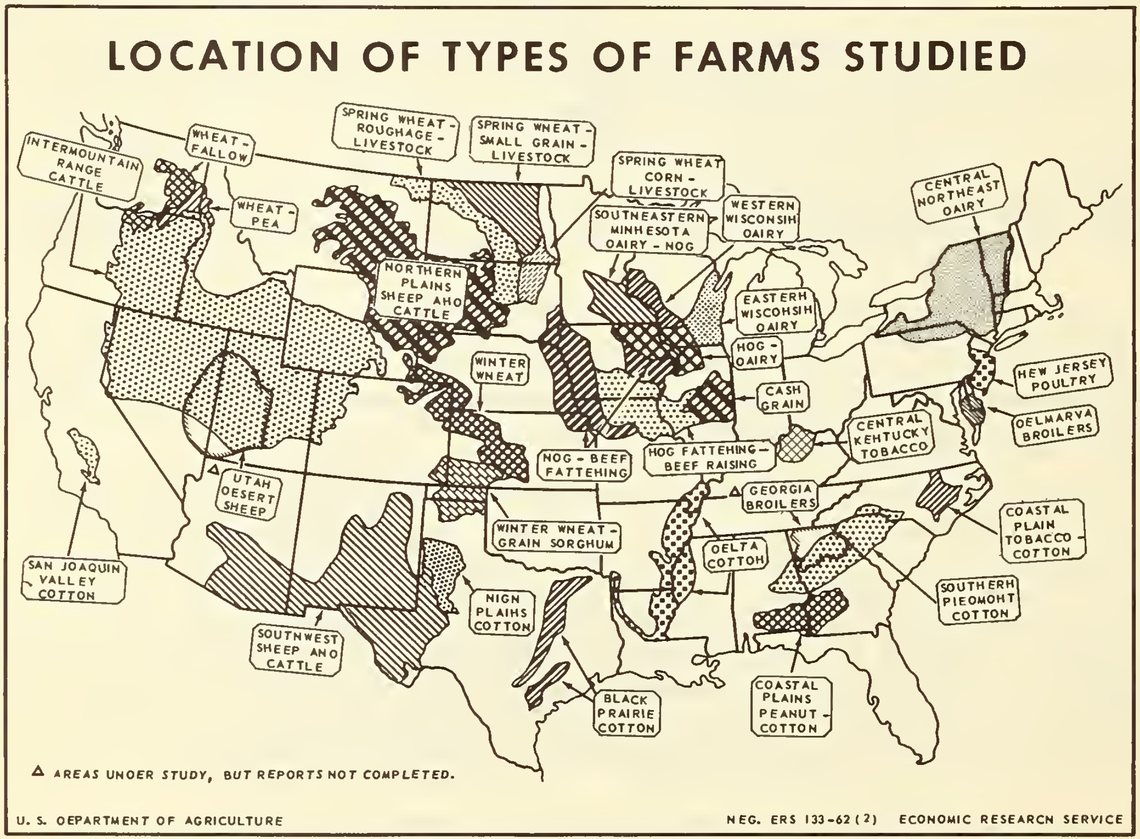

LOCATION OF TYPES OF FARMS STUDIED
INTERMOUNTAIN RANGE CATTLE
WHEAT-FALLOW
WHEAT-PEA
SPRING WHEAT-ROUGHAGE-LIVESTOCK
SPRING WHEAT-SMALL GRAIN-LIVESTOCK
SPRING WHEAT CORN-LIVESTOCK
SOUTHEASTERN MINNESOTA DAIRY-HOG
WESTERN WISCONSIN DAIRY
CENTRAL NORTHEAST DAIRY
NORTHERN PLAINS SHEEP AND CATTLE
EASTERN WISCONSIN DAIRY
HOG-DAIRY
WINTER WHEAT
CASH GRAIN
NEW JERSEY POULTRY
DELMARVA BROILERS
CENTRAL KENTUCKY TOBACCO
HOG-BEEF FATTENING
HOG FATTENING-BEEF RAISING
UTAH DESERT SHEEP
GEORGIA BROILERS
COASTAL PLAIN TOBACCO-COTTON
WINTER WHEAT-GRAIN SORGHUM
DELTA COTTON
SAN JOAQUIN VALLEY COTTON
SOUTHERN PIEDMONT COTTON
HIGH PLAINS COTTON
SOUTHWEST SHEEP AND CATTLE
BLACK PRAIRIE COTTON
COASTAL PLAINS PEANUT-COTTON
△ AREAS UNDER STUDY, BUT REPORTS NOT COMPLETED.
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Figure 8

Table 8.--Costs and returns, selected types of farms, 1961, and preliminary 1962

Type of farm	Unit	1961	1962
Dairy farms, Central Northeast:			
Gross farm income	Dollar	13,511	12,409
Operating expenses	do.	8,921	9,599
Net farm income	do.	4,590	2,810
Cows, 2 years old and over	Number	28.9	31.4
Milk production per cow	Pound	8,450	8,645
Total farm capital, Jan. 1	Dollar	41,500	42,760
Index numbers (1957-59=100):			
Net farm production	---	117	104
Operating expense per unit of production	---	103	117
Total cost per unit of production	---	101	114
Prices paid	---	104	105
Prices received	---	97	95
Hog-dairy farms, Corn Belt:			
Gross farm income	Dollar	13,796	13,789
Operating expenses	do.	7,622	8,295
Net farm income	do.	6,174	5,494
Cows, 2 years old and over	Number	18.0	18.2
Pigs raised	do .	143	144
Total farm capital, Jan. 1	Dollar	56,720	59,280
Index numbers (1957-59=100):			
Net farm production	---	105	103
Operating expense per unit of production	---	108	118
Total cost per unit of production	---	105	114
Prices paid	---	103	107
Prices received	---	102	102
Egg-producing farms, New Jersey:			
Gross farm income	Dollar	28,511	27,727
Operating expenses	do.	23,838	25,066
Net farm income	do.	4,673	2,661
Layers on hand during year	Number	4,514	4,596
Egg production	Dozen	72,976	73,919
Total farm capital, Jan. 1	Dollar	44,740	44,520
Index numbers (1957-59=100):			
Net farm production	---	120	110
Operating expense per unit of production	---	88	93
Total cost per unit of production	---	90	93
Prices paid	---	91	93
Prices received	---	98	95
Cattle ranches, Intermountain region:			
Gross ranch income	Dollar	16,841	19,631
Operating expenses	do.	6,813	7,048
Net ranch income	do.	10,028	12,583
Cows, 2 years old and over	Number	138.8	145.2
Total ranch capital, Jan. 1	Dollar	86,080	88,930
Index numbers (1957-59=100):			
Net ranch production	---	97	110
Operating expense per unit of production	---	115	107
Total cost per unit of production	---	114	106
Prices paid		107	109
Prices received	---	98	104

Table 8.--Costs and returns, selected types of farms, 1961, and preliminary 1962--Continued

Type of farm	Unit	1961	1962
Tobacco-cotton farms (medium-sized), Coastal Plain, N. C.:			
Gross farm income	Dollar	9,002	8,600
Operating expenses	do.	5,138	5,184
Net farm income	do.	3,864	3,416
Tobacco harvested	Acre	5.33	5.60
Yield per acre	Pound	1,860	1,819
Total farm capital, Jan. 1	Dollar	25,970	27,800
Index numbers (1957-59=100):			
Net farm production	---	112	112
Operating expense per unit of production	---	101	103
Total cost per unit of production	---	100	104
Prices paid	---	112	112
Prices received	---	113	106
Cotton farms, Black Prairie, Texas:			
Gross farm income	Dollar	8,385	8,690
Operating expenses	do.	4,883	5,166
Net farm income	do.	3,502	3,524
Cotton harvested	Acre	77.6	78.8
Yield per acre	Pound	167	197
Total farm capital, Jan. 1	Dollar	49,630	54,690
Index numbers (1957-59=100):			
Net farm production	---	111	116
Operating expense per unit of production	---	104	106
Total cost per unit of production	---	106	108
Prices paid	---	102	105
Prices received	---	107	106
Wheat-small grain-livestock farms, Northern Plains:			
Gross farm income	Dollar	5,800	11,333
Operating expenses	do.	5,449	6,141
Net farm income	do.	351	5,192
Wheat harvested	Acre	126.9	140.9
Yield per acre	Bushel	9.1	22.6
Total farm capital, Jan. 1	Dollar	52,110	53,550
Index numbers (1957-59=100):			
Net farm production	---	42	104
Operating expense per unit of production	---	203	99
Total cost per unit of production	---	197	99
Prices paid	---	101	107
Prices received	---	123	107
Winter wheat farms, Southern Plains:			
Gross farm income	Dollar	17,097	16,119
Operating expenses	do.	6,478	6,456
Net farm income	do.	10,619	9,663
Wheat harvested	Acre	238	208
Yield per acre	Bushel	23.7	21.1
Total farm capital, Jan. 1	Dollar	96,310	103,420
Index numbers (1957-59=100):			
Net farm production	---	119	105
Operating expense per unit of production	---	95	107
Total cost per unit of production	---	92	107
Prices paid	---	105	108
Prices received	---	102	110

a large measure for increased production costs. Net farm production was higher in 1962 on three of the eight types. Prices received in 1962 for products sold on these farms ranged from a decrease of 13 percent from 1961 on spring wheat farms to an increase of nearly 8 percent on winter wheat farms. Prices received decreased on five types of farms, increased on two and remained unchanged on one.

Costs per unit of production vary considerably from year to year, primarily because of the effect of weather on crop production and to a lesser extent on livestock production, and of variations in prices paid for services and items used in production. Over the long run per unit costs of production change because of changes in production efficiencies and to a lesser extent from changes in prices paid. Price changes to a large extent are due to such external factors as changes in the general price level. Changes in production efficiency are more directly associated with the operations, production methods, and management of the individual farmer. They are associated with the farmer's adoption of new techniques, labor-saving devices, improved farming methods, effective use of fertilizer, and general internal management.

Operating costs per unit of production in 1961 were higher than in 1960 on 22 of 39 representative farms located in the major producing areas of the United States. They were lower on 16 types of farms and about the same on one (table 9). They averaged higher on wheat farms. The major reason was reduced production caused by drought in the Northern Plains and by production control programs. The trend in operating costs per unit of production has been definitely upward, as may be noted in table 9.

Total physical inputs per unit of production have shown a downward trend (table 10) on these farms. These inputs include operating costs, hired, operator and unpaid family labor, and charges for capital. Again, the wheat farms were the only group of farms on which physical inputs did not decline generally. Some of these farm types are located in areas where rainfall is limited and variable. Production and costs were effected by occasional droughts as well as cropland diversion under government programs, despite better management and adoption of improved technologies.

Central Northeast Dairy Farms

Total operating expenses on representative commercial dairy farms in the Northeast are expected to continue to increase in 1962, probably about 8 percent above the previous record set in 1961 (table 8). Prices paid for inputs are expected to be slightly higher, but quantities of inputs used, particularly purchased feed, are expected to increase considerably. A decrease in net farm production in 1962 will result in a 14 percent increase in the operating expense per unit of production.

Prices paid for feed are expected to average about the same as in 1961, but total expenditures for feed likely will increase by about 10 percent. Decreased crop production in this area caused by drought, and an estimated increase in herd size, accounted for the increase in feed purchased.

Table 9.--Operating expense per unit of production: Index numbers, selected types of farms, 1961, with comparisons 1/

(1957-59=100)

Type of farm and location	Average				1960	1961 2/
	1937-41	1945-49	1950-54	1955-59		
Dairy farms:						
Central Northeast	48	86	95	96	104	103
Eastern Wisconsin:						
Grade A	---	---	104	99	102	101
Grade B	46	91	106	99	100	97
Western Wisconsin, Grade B	47	98	106	100	101	98
Dairy-hog farms, Southeastern Minnesota	42	86	102	97	112	110
Corn Belt farms:						
Hog-dairy	47	90	106	101	112	108
Hog fattening--beef raising	46	85	104	99	109	113
Hog-beef fattening	37	74	104	101	111	106
Cash grain	40	75	99	97	105	111
Poultry farms:						
New Jersey, egg-producing	---	118	121	102	92	88
Delmarva, broilers	---	---	108	99	91	95
Cotton farms:						
Southern Piedmont	46	88	106	99	104	97
Mississippi Delta:						
Small	---	67	97	95	99	101
Large-scale	---	104	115	96	91	89
Texas:						
Black Prairie	35	85	112	105	100	104
High Plains (nonirrigated)	50	113	185	122	90	85
High Plains (irrigated)	---	104	122	110	100	92
San Joaquin Valley, California (irrigated):						
Cotton-specialty crop	---	---	93	97	109	111
Cotton-general crop (medium-sized)	---	---	98	99	109	112
Cotton-general crop (large)	---	---	100	100	111	113
Peanut-cotton farms, Southern Coastal Plains	---	72	98	96	93	91
Tobacco farms:						
North Carolina Coastal Plain:						
Tobacco-cotton (medium-sized)	---	75	93	95	98	101
Tobacco-cotton (large)	---	79	97	96	96	100
Tobacco (small)	---	71	91	94	94	95
Kentucky Bluegrass:						
Tobacco-livestock, Inner Area	---	71	88	97	103	105
Tobacco-dairy, Intermediate Area	---	64	84	97	109	101
Tobacco-dairy, Outer Area	---	68	89	98	105	108
Spring wheat farms:						
Northern Plains:						
Wheat-small grain-livestock	53	75	101	90	87	203
Wheat-corn-livestock	55	79	111	105	84	95
Wheat-roughage-livestock	69	69	97	96	72	139
Winter wheat farms:						
Southern Plains:						
Wheat	78	78	104	111	86	95
Wheat-grain sorghum	80	85	148	125	74	83
Pacific Northwest:						
Wheat-pea	56	81	101	106	109	113
Wheat-fallow	65	91	118	116	118	123
Cattle ranches:						
Northern Plains	51	65	95	99	99	87
Intermountain Region	36	64	109	102	125	115
Southwest	---	92	136	111	95	98
Sheep ranches:						
Northern Plains	51	84	116	109	108	108
Southwest	---	99	146	115	86	96

1/ Exclusive of charges for capital and unpaid labor.

2/ Preliminary.

Table 10.--Input per unit of production: Index numbers, selected types of farms, 1961, with comparisons 1/

(1957-59=100)

Type of farm and location	Average				1960	1961 2/
	1937-41	1945-49	1950-54	1955-59		
Dairy farms:						
Central Northeast	118	115	105	99	99	95
Eastern Wisconsin:						
Grade A	---	---	115	102	96	92
Grade B	125	125	114	101	97	92
Western Wisconsin, Grade B	138	136	115	102	97	92
Dairy-hog farms, Southeastern Minnesota	137	134	117	101	103	99
Corn Belt farms:						
Hog-dairy	136	126	115	103	106	99
Hog fattening--beef raising	132	125	117	102	104	103
Hog-beef fattening	115	110	109	105	100	100
Cash grain	122	115	114	100	88	92
Poultry farms:						
New Jersey, egg-producing	---	117	106	102	100	97
Delmarva, broilers	---	---	134	103	85	89
Cotton farms:						
Southern Piedmont	129	119	119	101	102	91
Mississippi Delta:						
Small	---	100	107	97	93	94
Large-scale	---	120	114	98	90	87
Texas:						
Black Prairie	117	121	121	109	95	99
High Plains (nonirrigated)	138	155	209	130	82	77
High Plains (irrigated)	---	137	131	113	96	87
San Joaquin Valley, California (irrigated):						
Cotton-specialty crop	---	---	107	101	103	103
Cotton-general crop (medium-sized)	---	---	114	104	102	103
Cotton-general crop (large)	---	---	114	104	102	104
Peanut-cotton farms, Southern Coastal Plains	---	118	115	99	90	87
Tobacco farms:						
North Carolina Coastal Plain:						
Tobacco-cotton (medium-sized)	---	101	101	96	92	92
Tobacco-cotton (large)	---	103	105	97	90	91
Tobacco (small)	---	102	101	95	91	91
Kentucky Bluegrass:						
Tobacco-livestock, Inner Area	---	104	100	99	99	102
Tobacco-dairy, Intermediate Area	---	109	104	101	99	95
Tobacco-dairy, Outer Area	---	111	107	102	101	98
Spring wheat farms:						
Northern Plains:						
Wheat-small grain-livestock	154	100	113	92	82	186
Wheat-corn-livestock	138	106	116	107	83	97
Wheat-roughage-livestock	165	90	103	97	73	140
Winter wheat farms:						
Southern Plains:						
Wheat	181	101	110	113	81	87
Wheat-grain sorghum	193	111	160	131	67	75
Pacific Northwest:						
Wheat-pea	134	109	106	105	110	113
Wheat-fallow	159	124	124	117	114	120
Cattle ranches:						
Northern Plains	133	97	100	102	100	94
Intermountain Region	127	117	126	106	107	106
Southwest	---	102	123	113	86	91
Sheep ranches:						
Northern Plains	138	118	121	111	102	107
Southwest	---	101	126	114	85	92

1/ Includes charges for capital and unpaid labor.
2/ Preliminary.

The total volume of milk sold per farm in 1962 is expected to average about 4 percent higher than in 1961, because of higher production per cow and a slight increase in number of cows milked. Prices received for milk sold by these dairymen probably will average around 2 percent below last year. Lower milk prices, offset only slightly by an increase in the price of veal calves, are expected to result in average per unit returns 2 percent lower than those for 1961. Largely because of the drought and reduced feed production in 1962, gross income on these farms is expected to be considerably below 1961. With reduced gross income and slightly increased operating expenses, net income on these farms is expected to be considerably below the average for 1961.

Hog-Dairy Farms, Corn Belt

Total operating expenses on representative hog-dairy farms in 1962 are expected to be about 9 percent above a year earlier (table 8). Higher prices paid for production goods and services combined with larger quantities purchased were both responsible for the increased expenditures. Expenditures for power, machinery, and feed increased the most from 1961 levels.

The trend to more acreage and more livestock continued during 1962 on hog-dairy farms. Total production of hogs and milk will likely exceed a year earlier, but only enough to maintain net income with the lower prices received for milk. Lower yields and increased participation in the Feed Grain Program may reduce crop production below 1961.

Prices received by hog-dairy operators in 1962 were lower for cows, milk, and poultry products. The only significant increase in prices received was for calves. Prices received for hogs remained about the same as in 1961.

On the average prices received for these products are expected to remain near 1961 levels for these farms, while the index of prices paid probably will increase about 4 percent. The price squeeze contributed much to the reduction in net farm incomes in 1962 compared with a year earlier. Net returns are expected to be below a year ago as operating expenses continue upward. Gross farm income is expected to remain about the same as in 1961.

New Jersey Commercial Egg-Producing Farms

Total operating expenses on typical commercial egg-producing farms in New Jersey are expected to be higher in 1962 than in 1961 mainly because of a slight increase in the average size of flock and higher prices paid for feed (table 8). Most other items of expenditure in 1962, except capital outlays for buildings, are expected to be slightly higher, due both to increase in prices paid and in quantities purchased. Because of depressed net incomes in the last few years, these poultry farmers are holding building replacement and repairs to a minimum. Cost per unit of production in 1962 is expected to average about 3 percent above a year ago.

Egg production per layer on these farms averaged slightly less in the first three quarters of 1962 than in the same period a year earlier. It is expected to average slightly less for the year as a whole, because most operators are carrying a larger ratio of hens to pullets in 1962 than in previous years. Since 1960, many poultry farmers in New Jersey have been unable to finance regular replacement flocks and thus have kept over a larger percentage of layers for a second year of production.

Prices received for New Jersey eggs in 1962 probably will average somewhat below those of 1961. Egg prices for the first three quarters of 1962 averaged about 3 cents per dozen below the similar period in 1961. During the last quarter of 1962, egg prices are expected to average near or slightly above those for the corresponding period for a year earlier. Returns from marketings of cull layers on these farms are expected to average slightly less than in 1961, with increased quantities sold partly offsetting lower prices received.

Net farm income for these farms in New Jersey is expected to average about $2,660 per farm in 1962, $2,012 less than in 1961, but about $920 more than the average for the 1957-59 period.

Cattle Ranches, Intermountain Area

Total production costs on typical Intermountain cattle ranches probably will average around 3 percent higher in 1962 compared with 1961, but costs per unit of production probably will average about 7 percent less in 1962 (table 8). Prices of most items and services used in production on these ranches are slightly higher than in 1961, contributing to the increased total costs. However, net production from ranches has increased substantially (13 percent) from 1961 to 1962 and has been the major factor in reducing costs per unit in 1962.

Range conditions and forage production in 1962 in most sections of this area were the best in years. Except in the southwestern part of the area, hay yields averaged the highest since 1958. Total acreage of hay (including prairie hay) harvested probably will be the largest on record. A relatively high level of livestock numbers per ranch, coupled with unusually good range and forage conditions and relatively high prices for feeder calves, is expected to bring net ranch income considerably above 1961. Prices received for cattle sold by these ranchers in 1962 averaged about 6 percent higher than in 1961.

Tobacco-Cotton Farms, (medium-sized) Coastal Plain, North Carolina

Total operating expenses in 1962 on typical tobacco-cotton farms in the Coastal Plain of North Carolina are expected to be a little higher than in 1961 (table 8). This is due mostly to an increase from 1961 in the quantity of inputs used to handle a larger acreage of tobacco. Flue-cured tobacco allotments were increased by 4.3 percent from the 1961 base acreage. Yields per acre of tobacco are expected to average slightly lower in 1962.

The average acreage per farm in the 1962 Feed Grain Program was greater in 1962 than in 1961, but the reduction in expenditures for grain crops was not sufficient to offset the increase in expenditures required for tobacco. Production of cotton and prices paid for production goods and services are expected to average about the same as in 1961. Prices paid are at an all time high on these farms.

Net farm income in 1962 is likely to be around 12 percent below the 1961 return, largely due to lower prices received for tobacco. Based on reports of sales through October 13, the average price received for flue-cured tobacco in this area in 1962 was $5.39 per hundred pounds below those in 1961. This is the first year since 1956 that prices received for flue-cured tobacco have declined from the previous year.

Cotton Farms, Black Prairie, Texas

Total operating expenses in 1962 on representative cotton farms in the Black Prairie of Texas are expected to be about 6 percent higher than in 1961 (table 8). The increase will be due both to larger output and higher prices paid for goods and services used in production. Higher yields per acre of cotton and a larger acreage of cotton harvested are expected. Prices paid for goods and services are expected to rise because of higher prices paid for machinery and feed, higher taxes and higher wage rates for hired labor.

Operating expenses and total cost per unit of production may be about 2 percent higher in 1962 than in 1961.

Production of feed grain is expected to be about 26 percent less than in 1961. The reduction is due to greater participation in the Feed Grain Program and lower yields per acre. Yields of feed grains in 1961 were highest on record.

If prices received for cotton lint and seed remain the same as in mid-October, net farm income probably will be about the same as in 1961. Higher prices paid for goods and services used in production and slightly lower prices received for products sold nearly offset the increases in farm production.

Wheat-Small Grain-Livestock Farms, Northern Plains

Total operating expenses in 1962 on spring wheat farms are expected to average 5 percent higher than in 1957-59 and 13 percent higher than the drought year of 1961 (table 8). Purchases of machinery and expenditures for labor and tractor fuel, which were greatly reduced in 1961, were up to usual levels again in 1962. Prices paid for goods and services used in production are averaging about 6 percent higher than in 1961.

Prices received for products sold are expected to average about 7 percent higher than in 1957-59, but 13 percent lower than in 1961. Average prices received were unusually high last year, principally because of high prices received for the small crops of durum wheat and flax.

The severe drought of 1961, which reduced yields in the Northern Plains to the low levels of the mid-thirties, was broken in the fall of 1961. Yields in 1962 were above average and considerably higher than a year earlier. Net farm income on wheat-small grain-livestock farms is expected to be the highest since 1958.

Winter Wheat Farms, Southern Plains

Total operating expenses in 1962 on typical winter wheat farms in the Southern Plains are expected to be about the same as in 1961 (table 8). However, production is expected to be down about 12 percent from 1961. Total cash inputs used in production were down about 3 percent but prices paid for goods and services used in production were up about 3 percent.

Net production on these farms is expected to be smaller in 1962 than last year because of a reduction in both acreage and yield of wheat. Production of sorghum is expected to be up slightly but not enough to fully offset the reduction in wheat. The yield of wheat on these farms is expected to average around 21 bushels per acre in 1962 compared with 23.7 bushels in 1961. Grain sorghum is expected to yield about 34 bushels, up about 2 percent. The acreage of grain sorghum in both 1962 and 1961 was reduced from 1960 as a result of the Feed Grain Program.

Prices received for products sold are expected to average about 8 percent higher than in 1961. Gross income per farm probably will average about 6 percent lower and net farm income 9 percent lower than in 1961.

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